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CENTRAL INTELLIGENCE AGENCY: **SECRET** REPORT

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Industrialization of Czechoslovakia

1. [] the attempt of the Czechoslovak Communist Government to transform the province of Slovakia from a poor agricultural region to an industrialized region constitutes the only tangible success of the present regime. According to Communist industrialization plans, Slovakia must reach the Bohemian and Moravian industrial levels by 1953. However, this industrialization program does not mean that the Communists have the sympathy and willing cooperation of the Slovak people.
2. The largest industrial enterprise now under construction in Slovakia is the Kovo Kombinat Kosice, the iron works near Kosice in eastern Slovakia. Only the huge Ostrava works in Moravia are reputed to be larger than those contemplated for the Kovo Kombinat. Workers from throughout the country are being sent to Kosice, with the Czechoslovak Youth Organization (Svaz Czechoslovenske Mladaze) sending its "honor brigades" there. A special double-track railroad, extending from the USSR border to Kosice is also being built.
3. Many power stations mostly hydroelectric, are being built, and plans for the construction of additional stations are being prepared. Large high-voltage transmitters link the northern Bohemian power stations with hydroelectric stations in Slovakia. The electricity can be transmitted in either direction in the event of an emergency.

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4. The construction of new railroad lines and the double-tracking of existing ones to provide more direct connections between the USSR and Czechoslovakia is considered to be of great importance to the Communists. The so-called Kosicko-Bohuminska Draha (Bohumin-Kosice) railroad will soon be completely double-tracked, with additional new bridges and tunnels, and many of the sharper curves eliminated. The Zvolen-Margecany railroad line is being rebuilt to enable it to carry heavy freight loads. A new railroad line is being constructed from Roznava to the USSR borders. A second new line also under construction is the so-called "Railroad of Youth" (Trat Mladeze).
5. There are constant reorganizational changes occurring in Czechoslovak industry, and production of certain products is being transferred from one plant to another. This, in addition to the fact that the names of national corporations are frequently changed, makes it difficult to give precise information on Czechoslovak industrial plants and industry. However, a recent trend has been to transfer production from the large national corporation plants to smaller production groups of one to three plants. Another trend has been to give full authority and full responsibility to one individual - the director of the plant - and to eliminate Communist Party and trade union interference in plant management. This does not mean, however, that the Communist Party organization at the plant has no influence. The director is now under the supervision of a higher CP officer, either district or regional, and reports to him. There is no interference by local workers in management affairs while an industrial plan is being fulfilled. In the past, management was more of a triumvirate: the manager and director, the trade union, and the Communist Party.

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- (a) Skodovy Zavody (Skoda Works) national corporation in Hradec Kralove. This corporation now has no connection with the famous Skoda Works in Pilsen. It consists of the old main plant, located behind the railroad tracks of the Hradec Kralove Main Railroad Station, in a region called Kuleny, and the large new plant, about four kilometers northeast of the railroad station. This new plant is located in a region called Plotiste. The main buildings of the new plant were built by the Germans during the final years of World War II. Other German additions to these buildings are visible from the highway. In peacetime the Skoda Works of Hradec Kralove manufactured sugar-refinery and brewery equipment, and various agricultural machinery and equipment. Large industrial boilers were also manufactured. The Germans changed the production from peacetime to war-time products. [redacted] most of these plants are now manufacturing war equipment. This has been true except for the first three postwar years when a part of the works was idle. These works, considered to be the most important in the Hradec Kralove region, employ more than 5,000 persons. All young men in this region have been sent to work in this plant, and an intensified drive to obtain women employees has been

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initiated. The importance which Communist officials give to production at this plant can be shown by the fact that it has top-priority status in the region. One of the directors of production is a (fnu) Kos, a former worker in the company. An Ing (fnu) Huebl, an [redacted] is one of the leading personalities. It is possible that Huebl is now the General Director.

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- (b) The second most important group of factories in the region is located in Vamberk, a small town about 50 km east of Hradec Kralove. The corporation is called (Antonin Zapotocky Works) the Zavody Antonina Zapotockeho. The basic plant of the Zapotocky Works was also built by the Germans. Since 1949, new factory buildings have been constructed. Prior to their reorganization, the Zapotocky Works were under the management of Banska a Hutni Spolecnost in Prague, one of the largest corporations for the production of heavy equipment in Czechoslovakia. The factories in Vamberk also work three shifts daily, with workers commuting to and from Vamberk from distant residences. [redacted]
- (c) A new corporation, called Vertex, was established by the glass industry in about 1949 to engage exclusively in the research and production of new materials from glass. Special glass thread and cloth have been produced. It is now rumored that Vertex has an important role in the defense program. The main plant and the management of Vertex are located in Hradec Kralove, in a former textile plant of Sehnoutka and Company. Women in particular are being recruited to work for Vertex.
- (d) One of the largest munitions factories in Czechoslovakia is located a few kilometers east of Vlasim, which lies southeast of Prague. All the factories are underground. [redacted] the entire area was being camouflaged by replanting small trees, making the various constructions barely visible. Before World War II, the munitions factory was owned by Sellier & Belot, a foreign concern. [redacted] it is generally called "Municka".
- (e) A large corporation, called "Vychodoceske Chemicke Zavody" is located in the small community of Rybitvi, about 12 km west of Pardubice. This corporation, recently established, should not be confused with the chemical and refinery works in Pardubice, formerly the Fanto Works, a subsidiary of the Vacuum Oil Company. The chemical works in Rybitvi were mainly constructed during the last few years: one plant was built in 1938-40 after the Germans obtained the largest Czech chemical works in Usti nad Labem (Aussig-Sudetenland). The works in Rybitvi were expanded after the war, with several large buildings being constructed. All types of paints, various pharmaceuticals, and important semi-products for chemical works in Hrusov-Ostrava and other industries are manufactured in the Rybitvi works. Although the factories are located about 10 km from the nearest railroad station, a special double-track line has been built to transport materials to the chemical works.

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Since 1949 the manager of these works has been Ing
Josef Heryan.

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a certain production allocation among the satellites started for the first time in 1951. Besides the mutual Czech-Polish electric power plant near Bohumin on the Polish border, preparations are under way for transferring the whole production of Skoda (1200 cars) to Poland. [] the plants in Poland will be finished partly in 1951 and completely by the end of 1952. The big plants of Ceskoslovenske Automobilove Zavody, former ASAP-Skoda in Mlada Boleslav, have to be used for light armored cars. The automobiles will be only the Tatra type.

In the next few years a mutual production program should be started only with Poland. There is nothing known about such production allocation with other satellites. There are possibly already other items prepared for allocation but [] only in metallurgical and machinery production. Two years ago there was much talk about a very close cooperation but today [] more attention is being paid to cooperation in planning the production with not too much being done in the allocation of production. The reason is that great difficulties are being encountered in transferring existing industrial enterprises, and allocation would worsen the existing chaotic situation.

8. With respect to control exercised by Soviets over Czechoslovak production and economy [] such control does not actually exist. A few Soviet advisors may be found in the Ministry of National Defense and the Ministry of National Security. All other ministries, agencies and organizations are controlled directly and very strictly by the General Secretariat of the Communist Party of Czechoslovakia.
9. [] there is at the present time in Czechoslovakia a central organization for state reserves. [] each sector of industry has included in its plans what they have in reserve. Except of for finished products for equipping the armed forces, [] In this respect there are rumors that Czechoslovakia is not strategically suitable for stockpiling. [] any factory or other corporation or organization is keeping any stocks.
10. There are certainly some difficult problems in interstate Czech-USSR transports arising from differences in railroad gauges; however Czechoslovakia has no railroads with Soviet gauge. Even the new railroads in Slovakia now being built have normal gauges. [] the border station Cerna nad Tisou, is being greatly built up and equipped with loading and unloading facilities. All goods are overloaded at the border. There are no Soviet railroad cars running in Czechoslovakia.

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12. Sabotage is not a serious problem in industry and transportation. The great majority of difficulties encountered - e g, low productivity, disorganization, and mismanagement - are the result of stupidity and incompetence of the new administrative and technical cadres. The mass hatred of the Communist regime has not resulted yet in sabotage or active resistance.
13. Production, transportation, and administration are adversely affected in the first instance by lack of sufficient technical knowledge and secondly by the passive attitude of workers and shortages of materials.
14. Counter-sabotage measures are being established in almost all factories, with the workers' militia and security service responsible for the measures. A drive among factory workers has been launched to recruit new members for the State Security Service (STB).

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Preparations for War

15. The Czechoslovak economy is being geared toward an intensive rearmament program, and it appears that the Communists are preparing for an all-out war with the West. Extreme efforts have been made to expand the armament industry and to limit consumer production to the bare minimum sufficient to keep the population alive. All possible support has been given to a tremendous propaganda drive to portray the Army as the most important, and virtually the sole, protector of the nation. A large propaganda drive has also been launched to "educate" the nation for an all-out war. Instructions in grenade throwing have already been given in public school by soldiers making regular visits to these school. Moreover, the new textbooks are intended to indoctrinate children with the belief that the greatest happiness in life is to die for Stalin and Communism.
16. [redacted] Czech industries converted from normal to war production is as follows:

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- (a) Skoda Works in Hradec Kralove is now engaged exclusively in rearmament production and is operating on a larger scale than ever before. Airplane parts are manufactured in the Plotiste Plant [redacted]

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a very few foreign firms allowed to maintain offices in Prague. Such offices fell under the supervision of the Ministry of Foreign Trade and almost all were ordered to stop their activities and foreign nationals were ordered out of the country during 1950 and the first month of 1951.

The plant in Hloubetin manufactured popular radio receivers in the prewar period. Today only special communications equipment and tubes are being manufactured. There is no consumer production in any of the Tesla Electronic plants. Radio transmitters and highly specialized submarine equipment were produced by the Germans in this plant during the war.

- (c) [redacted] a new vacuum tube plant was recently built for Tesla Electronic combine in Roznov pod Radhostem.

[redacted] there were about 400 employees, mostly young women, but the factories were not yet finished. [redacted] plant came [redacted]

[redacted] this plant is manufacturing vacuum tubes and that it is expanding production of telecommunications equipment. It has to be considerably expanded until 1952.

[redacted] "new industrial enterprises would give a wide opportunity for better living to poor people of this hilly region".

[redacted] trucks are going to Vienna for "irregular imports". These trucks are operating from the Moravian town of Mikulov.

- (d) The former Volman Company (present name unknown) in Celakovice is being greatly expanded. In prewar times, mainly agricultural equipment was manufactured; now only special lathes and artillery equipment are being produced.
- (e) The Mraz Plant in Chocin manufactured automobile bodies and light sport airplanes (Sokol) in the prewar period. Today production has been greatly expanded, with only airplanes being manufactured.
- (f) There is also an armament plant in Kukleny, but no details of it are available.

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(g) In addition to those mentioned there are of course many other plants working exclusively for rearmament and war production. Among them are: CKD-Sokolovo, CKD-Stalingrad, Waldes, all in Prague. The same applies to Ippen Works in Hradec Kralove, Zapotocky Works in Vamberk, Tesla Plant in Pardubice. That these plants are working on war materials production is a matter of common knowledge.

17.

18.

the former Military Attache in Washington, Lt Col Biheler, supplied VTU with literature and some material. There were monthly, sometimes even more often, trips of a diplomatic courier from Prague. He always left the US with several large diplomatic pouches.

19.

20.

there were some negotiations with a Latin American country for parts and even complete airplanes, type DC-3.

21.

Czechoslovakia already had a direct regular air service to Lydda, Israel, and during the Arab wars the Czechs had some agreement about charting airplanes for cargo shipments.

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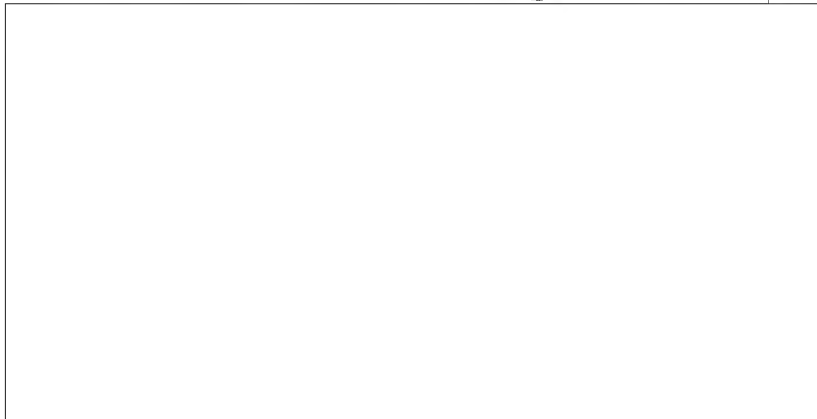
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